

BETWEEN THE LINES

Integrity pitfalls in sustainable finance

Sustainable finance is 'booming' - but doing the right thing often turns out to be more complex than it seems

Shifting norms, high expectations and vague definitions are creating tensions, and touch the heart of integrity issues. Dialogue with the financial sector reveals three key pitfalls – where good intentions may clash with what is feasible, expected or desired.

The pitfalls vary by context

Are we dealing with private or institutional clients? Is it simply a matter of knowledge gaps, or have unrealistic expectations been created? However this may be, those offering sustainable finance solutions should also be prepared to address difficult questions. These pitfalls can be a starting point for a broader dialogue on sustainable finance and integrity.

DSi puts professionalism and integrity at the heart of the financial sector

Emerging themes such as sustainable finance make these values more critical than ever. Are you interested in safeguarding integrity in your sustainable finance role? Explore insights and practical tools at www.dsi.nl/en - and join the conversation.

Three key pitfalls

For integrity in sustainable finance



Managing expectations

Whose responsibility is it to drive sustainability – companies, investors, the government?

The illusion of measurability

Definitions and labels often incorrectly suggest that sustainability and impact are easily measured. And what can be measured often does not tell the whole story. This can allow opportunism to creep in and can impede instead of enable positive change.

System pressures fuel 'greenwashing'

Financial institutions want to do the right thing. But market pressures, reputational risks and external expectations often can lead to wishful thinking and setting unrealistic targets.



Effective communication

How can we create clarity around the nuances and trade-offs in sustainable finance?

Transparency without clarity

Despite an abundance of sustainability data, professionals and (retail) clients alike struggle to find clarity in this information. This, combined with the ambiguity of the terms 'sustainability' and 'impact', often prevents a shared understanding of what sustainable finance can realistically achieve.

Knowledge gaps hinder dialogue

Sustainable investing isn't always "win-win". But clients often lack the knowledge to understand trade-offs, making dialogue about choices difficult – and increasing the risk of misunderstanding or mis-selling.



Safeguarding integrity

How can we avoid rules and regulations unintentionally getting in the way of real change?

Impact without evidence

'We're on a journey' may sound hopeful, but often obscures a substantiation of sustainability claims, especially when academic research already tells us a lot about what works and what doesn't. Not being upfront about this can gradually erode trust.

Tick-box rules can be a red herring

Regulation provides a sense of direction but those who focus only on checking required boxes and affixing sustainability labels can forget the underlying objectives. This can remove additionality from the frame and undermine sustainable finance's potential.